

# Official Solution of Wheat Farmer's Problem

By HENRY C. WALLACE,  
Secretary of Agriculture.

The wheat industry of the United States is in a period of serious depression. A great many farmers have already lost their farms or other property and the financial condition of others is critical. This condition of things has resulted from the decline in wheat prices, the relatively high level maintained in the prices of other commodities and services, and also from the maladjustments which exist in the wheat industry itself.

Present low prices are caused by the large world supply of wheat, for which there is not an effective demand at higher price levels. The total world crop outside of Russia is estimated at 3,400,000,000 bushels, which exceeds the production of last year by 300,000,000 bushels and the pre-war average by 500,000,000, excluding Russia. Both importing and exporting countries whose production fell during the war are resuming rapidly the position they previously held as wheat producers. Moreover, the evidence indicates that competition in wheat production will increase very materially. Russia is gradually restoring her agriculture and is already exporting some bread grains. Argentina, Australia and especially Canada are selling abroad large amounts of wheat and will in all probability continue to expand their wheat exports. These countries enjoy material advantages over the United States in the production of wheat. So long as the United States produces a surplus, the prices of American wheat will be determined largely in the markets of the world and American farmers as exporters of wheat must be prepared to meet the keen competition of foreign producers for these markets.

## Farmers' Costs Too High.

Although wheat prices have dropped to pre-war levels, prices of manufactured commodities and of services remain high. The costs which enter into the production and marketing of wheat are so high that, at present prices for wheat, the farmer can not continue to pay them and remain in business. Taxes, machinery, wages, freight rates, and prices of food and clothing are out of proportion to the price of wheat and the earnings of the wheat farmer.

## Too Much Depends on Wheat.

A number of factors within the wheat industry itself also have contributed to the present wheat crisis. Lands on which wheat cannot under present economic conditions be grown profitably have been brought into cultivation in some regions. This fact coupled with the dependence placed upon wheat as a cash crop accounts for the losses of some farmers. Furthermore, high prices and the appeal for larger food supplies during the war induced many farmers to expand unduly their farm operations and to incur liabilities which since the break in wheat prices they have been unable to carry. The financial distress which has come as a result of these various causes is considerably aggravated by losses which are due to inefficient farm management. Many farmers are growing and marketing wheats which do not fulfill the highest market requirements and consequently fail to yield maximum net returns. On some farms, furthermore, excessive emphasis on wheat carries with it an unsatisfactory seasonal distribution of farm labor with resulting heavy expenditures for hired help. The financial difficulties of many, in short, would be reduced if their farm business were operated along more efficient lines.

## Self Help for Farmers.

It is important to bear in mind that the solution of present agricultural difficulties depends quite as much upon the efforts of farmers themselves as upon any government action. There are fundamental and far-reaching adjustments in production and marketing which farmers themselves must make as a part of a long-time program. A survey of the situation indicates that well-considered action in a number of directions will bring wheat farmers a substantial measure of relief.

A large number of wheat producers are on the verge of bankruptcy. Many of them are, no doubt, beyond the point where further credit extensions would benefit them. On the other hand, a larger number can and should be saved by the renewal of loans or by additional credit on reasonable terms. Where a large volume of credit exists and the mortgage status of the farm permits, outstanding short time loans should be funded into long-term mortgage loans at lower rates of interest. In this connection full advantage should be taken of the facilities afforded under the Federal

Farm Loan act. Moreover, the new credit facilities provided in the federal intermediate credit banks should be utilized to reduce the cost of personal credit to the farmer. In this bankers should lend a willing hand even where such action does not increase their immediate profits. The constructive country banker will readily see that in the long run such action benefits him as well as the farmer.

## Expert Financing Needed.

To meet successfully foreign competition in some markets in which exchange rates and opportunities for exchange of commodities favor purchases of wheat from other sources, easy credits on American purchases may be necessary. The War Finance corporation should make special effort to

without delay the entire structure of interstate railroad rates and should make or submit recommendations for adjustments which will return adequate revenues to the railroads and as well afford some relief in the way of reducing the cost of transporting agricultural products.

## Cut in Taxes Imperative.

Farm taxes in many sections of the country have become a serious burden, especially in regions where farmers are in financial distress, and a downward revision is essential. The partial substitution of taxes based on income for the present property taxes would provide a measure of relief. Further shifting of the cost of good roads to those who make most use of them, through taxes on gasoline and

might be substituted for wheat to a slight extent. With present prices flax will be a profitable alternative on suitable land for a small portion of the wheat acreage in the northwest. Since the prices of dairy products have continued relatively strong, further emphasis should be placed on dairying and the production of feed crops. This increase in diversity of crops and livestock will in general result in better organization of the farm business and also help to stabilize the farm income.

A safer type of farming must be developed for the semiarid regions. Lands which are unsuited to field crops should be dropped from cultivation and revert to grass land. Some forage crops and livestock should be grown on every dryland farm. Reserves of feed, livestock, poultry and capital should be carried from year to year to tide over periods of crop failure, and the farm business should be so organized as to secure the maximum returns per man.

Each farmer should carefully review the possibilities which lie before him. Undoubtedly diversification will result, from careful thought on this subject, in many of the states where the surplus wheat acreage is found. On the other hand, in those regions where wheat is grown as part of a diversified system of farming, it may be more profitable than any alternative crop.

## Self-Sufficient Farming.

In the present critical situation it is very essential that wheat farmers adopt methods which reduce production costs and conserve the cash income. This may be accomplished by avoiding out-of-pocket cost, by growing on the farm in so far as possible the feed supplies for the stock and provisions for the family, a policy which is made more urgent by the increase in freight rates and the high cost of processing and retail distribution, by utilizing to the fullest possible extent the available labor supply and the farm equipment through a well-balanced diversification of crops and a better distribution of labor throughout the year, by keeping land of low production in grass and other crops demanding but little labor or expense, and by devoting labor and capital to such crops and livestock enterprises as promise to give the greatest profits.

## Grow Better Quality.

Improvement in the quality of wheat produced will materially increase profits in the wheat industry. Certain classes of milling wheats are in special demand and should be substituted for less desirable wheat wherever conditions are favorable. Moreover, heavy and unnecessary losses are incurred by farmers in producing and marketing dirty and low-grade wheat. The production and marketing of dockage is expensive. Wheat should be cleaned before sowing and marketing, care should be exercised in its storage, and such seed selection and farm practices in growing and harvesting should be adopted as will result in the best market grades of wheat.

Prices paid at terminal markets reflect quite accurately the variations in quality of wheat; prices paid at country points frequently do not. Farmers must know the quality and grade of their wheat in order intelligently to bargain for the best market price. Wheats of high gluten content usually command premiums at terminal markets. While the federal grades for wheat through subclass specifications indicate broadly the gluten content, the only practicable method of measuring it requires extensive laboratory equipment. It is desirable, therefore, that state authorities, in co-operation with the federal government, undertake to

determine and make available as early as possible in the harvest season information in regard to the gluten content of wheat in the important wheat-producing areas. Wheats may vary widely in gluten content within local areas; farmers should, therefore, have individual tests made of their wheats by the agencies set up for this purpose.

## Place of Co-Operation.

Concerted and coordinated action in the form of producers' organizations should improve the production and marketing of wheat. Higher returns may be obtained by standardizing the production of wheat in conformity with market demands, and substantial economies may be made in the cost of wheat marketing. Co-operative organizations efficiently managed will contribute to this end, and their development should, therefore, be still further encouraged.

The movement of farmers into other occupations which is now under way will help to restore the balance between agriculture and other industries. Every farmer who is not able to make a living where he is should review carefully his own possibilities, but should not make a blind move into other types of farming or into city occupations. There are, however, thousands of farmers skilled in the industries of the city who will doubtless turn to their former occupations for relief.

The adjustments that have been indicated are part of a long-time program for agriculture and must be made in considerable measure through the efforts of the farmers themselves. Yet all of these means will not go far toward promptly restoring the purchasing power of the farmer's dollar, which has been unreasonably reduced by the rapid deflation which agriculture was least able to resist.

## Other Prices Too High.

Since the immediate difficulty in the present situation is the maladjustment in price ratios, what is most needed right now is some way to restore the proper ratios either by increasing the prices of farm products or by reducing the prices of commodities.

The prices of farm equipment, food, clothing and building materials, as well as farm wages, are influenced by the costs of mining, transportation and manufacturing, and by the ability to adjust production to that limit of supply which can be sold in the domestic market at a price to yield a profit.

One of the largest elements in the production cost of manufactured products as well as in transportation cost is the wages of labor. Wages have remained high since the war. The immigration and Adamson laws, together with the policies of organized labor, have been potent factors in maintaining wage scales. On the other hand, the domestic market for the products of the manufacturing industries makes it possible for them to continue production at a profit even with high wages for industrial labor. Under these conditions organized industry can maintain high prices in the domestic market and dump surpluses in foreign markets at low prices.

## Farmers' Right to Consideration.

The question may be raised whether protection to labor and industry shall be withdrawn in order that the inflow of foreign labor and manufactured products may reduce the prices of the products which farmers buy to the level of farm products or whether some better remedy should be sought. The better and more practical alternative may be to try to improve prices of farm products of which we have an exportable surplus and which are, therefore, unduly depressed. Abundance of work at good wages gives assurance of good demand for farm products, but justice requires that the farmer be helped so far as possible and proper to secure relatively good wages for his labor. Indeed, industry and labor can not hope long to enjoy a disproportionately high price level for their products for the simple reason that farmers constitute about 30 per cent of the purchasers of such products and if the farmers' ability to buy is materially lessened for any length of time, both industry and labor suffer through lessened demand and prices will be forced lower.

Co-operation among farmers has been suggested as a means of attaining the end sought. While co-operation is to be encouraged as one of the best means of improving marketing methods and reducing marketing costs, as well as of improving the quality of farm products, it does not appear possible, and certainly not within a short period of time, to organize the producers of the great staples of American agriculture so effectively as to give them that control over supply which is necessary substantially to influence prices.



Henry C. Wallace

finance the exportation of wheat in line with the joint resolution of congress, January, 1921, reviving the activities of that corporation.

The wheat surplus may be reduced materially by increasing domestic consumption. The per capita consumption of wheat flour and bread has been lessened by the wartime campaign to save food coupled with the high prices for bread which have since been maintained. A reduction in the price to consumers by narrowing the margin between wheat flour and bread would, no doubt, increase the consumption, and a return by public eating houses and dining cars to the custom of serving bread free with orders would contribute to the same end. Furthermore, at present prices wheat can be economically substituted for corn as livestock feed in many parts of the country, and its use for this purpose may be increased to advantage.

## Lower Freight Rates.

American freight rates, which are still 45 per cent and more above those of 1913, have not been adjusted to meet the decline in farm prices, whereas Canadian rates are now practically back to their pre-war level. To meet the emergency a reduction of at least 25 per cent in interstate rates on wheat and wheat products originating in the distressed wheat areas would be helpful, these rates to remain effective until wheat prices shall have more nearly reached a parity with the prices of other commodities or until a readjustment has been made in all freight rates. In order to determine a proper basis for this adjustment, the Interstate Commerce Commission or a special commission composed of representatives of railroads and shippers, and created for that purpose, should review

motor vehicles, offers still another means of a more just distribution of the tax burden.

## Developed Output Needed.

Changed market conditions necessitate important readjustments in crops. As foreign outlets for American wheat become more restricted, the production of wheat should be gradually placed on a domestic basis, and the wheat acreage should be reduced as fast as profitable alternatives can be found.

Adjustments in agricultural production should be made in accordance with differences in regional and farm conditions. In some of the wheat territory some shift from wheat to corn probably will be profitable. Oats for local consumption

## A Word of Thanks

This Special Wheat Growers' Edition of The Omaha Bee is the culmination of months of work by Mr. N. B. Updike—in Washington, in Omaha and throughout the country. We believe it is a definite step toward the accomplishment of those things necessary to the happiness and prosperity of the American wheat growers and the continued and certain prosperity of the entire country. Mr. Updike and The Omaha Bee express thanks to Secretary Wallace and those other members of cabinet, senators and congressmen who have aided in the collection of the data used in this edition, as well as appreciation of those public-spirited citizens of Omaha whose financial contributions have made its publication possible.